Finance

This chapter of the report presents the proposed 12-year public infrastructure financing strategy recommended by the Mayor's Infrastructure Finance Committee.

The recommended strategy incorporates an aggregation of funding methods, including the continued use of all available existing revenue sources, assumed revenue from fees approved but not yet collected (i.e., development impact fees), increases for a number of existing utility fees and taxes, imposition of new but authorized taxes, and the selective use of bonding strategies to maximize use of forecasted government funding.

The MIFC's projections of funding needs reflects a serious in-depth examination of the procedures and polices the City of Lincoln employs in building public infrastructure. This examination was designed to ensure the fees and taxes collected under this proposal are used in the most efficient manner possible. The Committee and its Work Groups were careful to review the capital projects and the base cost assumptions used for this study, and to assure themselves that the expenditures are necessary for the community's economic and social health.

As noted earlier in this report, the MIFC's recommended financing strategy will have its critics. The projected cost of building and maintaining the infrastructure foundation to assure a vibrant and viable tomorrow for Lincoln is not insignificant. The figure reaches into the hundreds of millions of dollars. However, this investment will reap benefits today and into the years to come.

The full community dialogue on the MIFC's proposed infrastructure financing strategy starts now. In the following chapter, the MIFC lays out its recommended funding strategy. This strategy includes proposals for addressing the funding needs for the following infrastructure areas:

Water and Wastewater Services
Streets and Highways
Watershed Management
Parks and Recreation

Water and Wastewater Services

The provision of community-wide water and wastewater services are absolutely critical to the development of any modern urban community. These services are the framework around which the balance of services are built.

The projected expenses and accompanying revenue sources used by the Mayor's Infrastructure Finance Committee were based on a series of future urban growth assumptions developed by the Finance Work Group. (See Appendix.) These growth assumptions revealed the following 12-year projected expense needs for the City's water and wastewater systems (expressed in millions of 2002 dollars):

Lincoln Water System

Operations and Maintenance (O&M)	$316.1
Capital Rehabilitation	40.4
Capital Improvements Projects/Upgrades	120.1
12-YEAR TOTAL	$476.6

Lincoln Wastewater System

Operations and Maintenance (O&M)	$220.2
Capital Rehabilitation	17.1
Capital Improvement Projects	141.1
12-YEAR TOTAL	$378.4

On the basis of the projected 12-year stream of revenue sources (including user fees, available cash, and impact fees (i.e., $12.0 million for water and $5.9 million for wastewater), the estimated funding gap for these systems is around $131.9 million for water and $131.7 million for wastewater.

As a means of covering this projected gap, the MIFC -- using the analysis prepared by the Finance Work Group -- is recommending a series of user fee increases for both the water and wastewater systems. These rate increases would then be used to support the issuance of a series of revenue bonds for the construction of the needed facility improvements. The bonds would be paid back with funds received from the respective system's user fees.

The specific recommendations of the Mayor Infrastructure Finance Committee regarding funding for the water and wastewater systems are presented below.

1. Comprehensive Plan and CIP

The City's Capital Improvement Program for water and wastewater facilities should advance the urban growth set forth in the City's adopted Comprehensive Plan. The water and wastewater capital improvements needed to support the 12 year urban growth shown in the adopted Comprehensive Plan can largely be accomplished through the use of revenue bond financing.

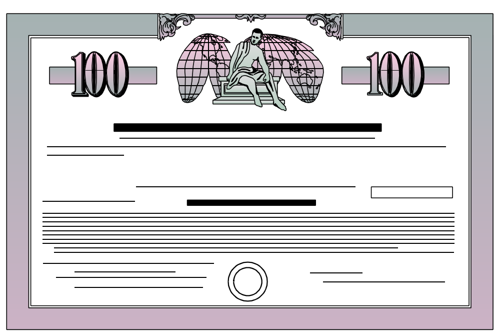
2. Bonding Capacity and Other Key Assumptions

This potential bonding capacity assumes the following conditions:

a. Modifying the City's current bond issuance practices, i.e., longer maturity debt;
b. A 7 percent increase in wastewater rates effective FY 2003-2004.
c. Systematic increases in utility user rates;
d. Implementing development impact fees; and,
e. Financial projections do not include inflationary cost increases.

3. City's Bonding Capacity

The City of Lincoln has the potential bonding capacity to support long-term system replacement and upgrades and expansion of capital facilities for its municipal water and wastewater systems through a carefully managed issuance of additional revenue bonds.



4. Bond Amortization Period

The term (i.e., amortization period) for future revenue bonds should be changed to more closely reflect the economic life of assets financed. The financing term for future bond issues should be limited to a minimum of 15 years and a maximum of 30 years. Because previous bond issues financing long term assets were amortized over 20 years, this change will lower the average annual debt service for future revenue bonds while fully repaying the bonds within the estimated economic life of the capital improvements identified for this period.

Changing market conditions may afford the City opportunities to structure debt financing to achieve lower overall costs. Subject to amortizing debt within the estimated economic life of assets, the City should take advantage of any opportunities to structure debt financing or refinancing to achieve the lowest possible overall cost. Combined debt service should be as level as practical to facilitate sound financial planning and stable utility rates.

5. Debt Service Coverage Ratio

The City should manage its total outstanding water and wastewater debt to maintain an overall average debt service coverage ratio* within a range of 1.65 to 1.75 percent. It is understood that at the time of issuance of any new debt, the debt service coverage ratio must be at least 1.25. Following the guidelines provided by the rating agencies for management, rates, governance, competition, economy, and so on may even enhance the rating of the water and wastewater systems.

6. Maintaining City's Bond Rating

The City should manage its water and wastewater systems to ensure that the current Public Works & Utility bond ratings of AA+ Standards & Poors and Aa2 from Moodys are maintained.

7. Limitations on Future Bond Issuances

The issuance of substantial amounts of new water and wastewater revenue bonds with longer maturities over the next ten years could limit the City's future ability to issue similar bonds.

8. Water and Utility Rate Increases

The City should embark upon a disciplined approach for systematically reviewing and adjusting water and wastewater utility rates. Based on current projections, annual rate increases of 3 to 5 percent should be adequate to finance growth needs during the assumed 12 year planning period. Rate increases are not proposed to occur in each fiscal year. Rate increases should be managed to provide sufficient funds for capital improvements without imposing unreasonable increases on rate payers. We recommend that annual increases do not exceed 5 percent in any given year.

9. Prepare Long Range Financial Plan

The City should prepare a long-term financial plan and update this plan on an annual basis using the parameters set forth herein.

10. Utility Rate Comparison

Periodically, the City may find it worthwhile to make a comparison of the City's overall utility rate burden with the overall utility rate burdens of the cities considered to be prime competitors for attracting new employers to determine if Lincoln is remaining competitive.

CAPITAL IMPROVEMENT SUMMARY FY 2003-4 through FY 2014-15	
WATER	$169 million
WASTEWATER	168 million
TOTAL	**$337 million**

Definitions for Water and Wastewater

Debt service cover ratio = Cash flow available for debt service divided by the annual debt service requirement (principal plus interest).

Cash Flow = Revenues, less Operation and Maintenance Expenses, plus Depreciation.

Revenues = Total Operating Revenues, plus interest income, plus tap fees, plus impact fees.

Streets and Highways

The ability of the community's street and highway system to handle projected future vehicular travel needs is critical to the long term social and economic viability of the City of Lincoln.

The City's adopted Comprehensive Plan and Long Range Transportation Plan (LRTP) define a planned system of twenty five years worth of urban roadway facility improvements that supports the continued maintenance and needed expansion of the City's street network.

The City's Capital Improvement Program (CIP) for streets and highways should advance the urban growth set forth in Lincoln's adopted Comprehensive Plan.

The Infrastructure Finance Committee has designed a recommended strategy for financing the Comprehensive Plan's roadway program using a combination of existing funding sources and other proposed financing alternatives including bonds, enhanced fees, and new user taxes.

Funding alternatives considered but not recommended by the MIFC's Finance Work Group include a City wage tax, vehicle sales tax, SID's, special assessment districts, and reallocation of existing funding sources.

The remainder of this subsection examines the issue of street and highway funding and recommends a strategy for addressing these needs. The subsection is divided into the following areas:

- Long Term Streets and Highways Funding Needs
- Maintaining the City's Existing Streets and Highways Infrastructure
- South and East Beltways
- Antelope Valley Project
- Existing Funding Sources
- MIFC Recommended Funding Approach
- Continuity in Maintaining and Presenting Information

“ **Long Term Streets and Highways Funding Needs**

One of the initial tasks of the Finance Work Group was to closely examine the realistic funding needs for Lincoln's streets and highway program. This task involved an in-depth dialogue regarding the trends and uses of existing street funding sources, as well as the program of projects contained in the adopted Comprehensive Plan and LRTP.

The Work Group focused on the initial 12 years of the Comprehensive Plan's growth and development picture, with the priority of ensuring quality street and highway facilities to the existing Lincoln community and to the "Priority Area A" within the Tier I Growth area.

While this task was being completed, the Cost Savings and Efficiency Work Group was also undertaking a separate but complementary initiative. The Cost Savings and Efficiency Work Group was looking at options for reducing overall street construction costs and for scheduling future street construction so as to maximize existing street resources.

By applying the cost savings approaches identified by the Cost Savings and Efficiency Work Group and an assumed prioritized schedule for the phasing-in of improvements, the "financing gap" for street and highways construction over the next twelve years was placed at between $200 and $250 million.

While potential inflationary impacts and other changes in the roadway construction program will also need to be taken into consideration, the Finance Work Group identified the amount of $225 million as its goal for the additional funding needed for streets and highways over the next twelve years.

The Finance Work Group concluded that the greatest financing gap for streets occurs early-on in the12 year capital improvements programming. Early period funding needs require raising capital resources quickly so that these street projects can be initiated and completed over the next six to ten years. Notable among the construction activities included during this early period are the Antelope Valley and South Beltway projects, and a large number of street construction projects that are of high priority – such as South 14^{th} from Old Cheney Road to Yankee Hill Road, South 84^{th} from Van Dorn to Nebraska Highway 2, West A Street from Coddington to S.W. 48^{th} St., Adams Street from 70^{th} to 84^{th} Streets, and many others.

“ **Maintaining the City's Existing Streets and Highways Infrastructure**

As the City grows in both population and geographic size, it is imperative the community's current investment in streets and highways be maintained. In Mayor Wesely's *Charge to the Committee* to seek a "balanced funding approach" for infrastructure financing, the maintenance of the City's existing roadway system was given primary consideration – that is, maintenance of the existing street investment was to be viewed as the first priority among all other proposed activities.

Upon examining this issue, the Finance Work Group concluded that the City does not have a well-defined program for street maintenance. Most of the maintenance has been carried out as needed on a fiscally constrained basis on the City's approximately 1,245 mile network of streets, including 323 miles of arterials streets and 922 miles of residential streets. During the 1990's, some roadway funds were diverted from street maintenance and directed toward new road construction -- Mayor Wesely has reversed this trend. Spending on street repair and maintenance has been increased to around $7 to $8 million per year. This allows older arterials streets to be resurfaced about every 30 to 35 years, while older residential streets are being resurfaced on a 40 to 50 year cycle.

The City's Public Works Department is proposing to adopt a new street inventorying system to survey all Lincoln streets on an annual basis to provide a rating of their condition. This system would be similar to the one used by the State of Nebraska for its highway system. Ratings of "very good," "good," "fair," and "poor" would be assigned to each street segment based on specific criteria.

This inventory system will allow the City to electronically track the overall condition of streets throughout the community and to better assess if the present maintenance program is adequate. The Finance Work Group felt that a well disciplined program is needed so that periodic surveys of street conditions can be performed and a determination made regarding the adequacy of the street maintenance program.

The MIFC thus recommends the City adopt a well disciplined program of periodically assessing street conditions and of allocating sufficient funding to maintain adequate street conditions. If the results of the street conditions assessment program recommend that street rehabilitation be accelerated in order to maintain streets in an acceptable condition, it should be a high priority to commit sufficient funding to accomplish this goal. The Infrastructure Finance Committee also recommends that the City increase the budget for street rehabilitation by $2.5 million in both F.Y. 2003-2004 and F.Y. 2004-2005 while the street condition assessments program is being developed and implemented.

At least biannually, the Public Works Department should report to the Mayor and City Council on the condition of area streets and on changes needed to maintain the quality of Lincoln's roadway infrastructure. Adjustments may be needed in the street budget allocations to ensure that existing streets are adequately maintained.

“ **South and East Beltways**

The proposed South and East Beltways are essential components of the City's overall regional transportation system. In cooperative agreement between the City of Lincoln, Lancaster County, the Nebraska Department of Roads and the Federal Highway Administration, the beltway system – when fully constructed – will offer a complete circumferential high capacity roadway around the urban area. This will aid in moving traffic around the city and help reduce further congestion on the existing urban street network.

Of the two proposed projects, the community and its partners have given the South Beltway the higher near term priority. The South Beltway will link Nebraska Highway 77 on the west with Nebraska Highway 2 on the east. The South Beltway will be located approximately a half mile south of Saltillo Road and will touch the City's future urban service limit along its southern edge. When completed, the South Beltway will also become Nebraska Highway 2, with the existing Highway 2 turned over to the City as an internal roadway.

The total estimated cost for the South Beltway is $120 million. The cost of this facility will be split between City, State, and Federal governments. The cost sharing for the South Beltway is set at 80 percent Federal/State and 20 percent City. The local share is programmed as part of the overall funding projected for the 12 year analysis period assumed by the Finance Work Group.

“ **Antelope Valley Project**

The Antelope Valley Project comprises a mixture of roadway, stormwater management, and community revitalization activities within the heart of Lincoln. The project brings together a consortium of public entities, including the City of Lincoln, the Lower Platte South Natural Resources District, and the University of Nebraska-Lincoln.

The roadway component of the project involves a multi-lane boulevard along the eastern edge of the Downtown area. Phase I of the project has already begun with the initial construction of the stormwater control channel. The total estimated cost for the complete Antelope Valley project is approximately $223 million, with about $123 million going toward new roadways and improvements to existing streets.

Funding for the roadway component of the Project is anticipated to be drawn from several sources. The City is looking to use its available Federal gas tax monies (TEA-21) and its share of State gas tax monies (State Road Funds) in meeting its funding obligations. Federal road demonstration funds are also being sought to support the construction of the roadway facilities and associated enhancements.

“ **Existing Funding Sources**

The City Public Works Department projects that if funding sources continue at present levels Lincoln will garner about $500 million for street maintenance, rehabilitation, and construction over the next 12 years – not including specially earmarked Federal funds for projects such as the Beltways and Antelope Valley.

For purposes of the funding needs analysis, the Committee assumed that this projected $500 million in street and highway funds would come from the following nine sources:

- U Highway Allocation Funds
- U Federal Urban Area Project Funds
- U City Wheel Tax Residual (Maintenance, rehabilitation, & construction)

U City Wheel Tax New Construction
U State Train Mile Tax
U Railroad Transportation Safety District
U Transportation Enhancement
U Impact Fees
U Other Funds

It should be noted that many of these funds have limitations concerning where and how they can be applied. Certain railroad funds, for example, can only go toward projects eliminating unsafe conditions involving trains and vehicles. Similarly, impact fees funds can only be used in certain locations and for specific street construction activities.

“ <u>MIFC Recommended Funding Approach</u>

The Mayor’s Infrastructure Finance Committee recognizes that projected revenues are insufficient over the next 12 years for maintaining, rehabilitating, and expanding the City’s streets and highway system called for in the adopted Comprehensive Plan.

In arriving at this conclusion, the Committee relied on the street and highway cost savings identified by the Cost Savings and Efficiency Work Group. The MIFC believes that the City should pursue the cost reductions identified by the Cost Savings and Efficiency Work Group. Implementing these recommendations could potentially result in the savings or near term deferral of millions of dollars in project costs that will not impair the long term viability of the City’s street system.

The Committee recognizes, however, that additional locally generated funds are needed to meet the City’s long term street and highway requirements – especially over the next 12 year period.

Through the Finance Work Group, the MIFC reviewed a host of possible funding options. As part of their review, they established a series of criteria to be used in evaluating possible funding alternatives. To the extent feasible, alternatives were sought that could generally meet these criteria:

U <u>User Fee Based</u> – The fees (or taxes) paid to support infrastructure expansion and maintenance should come from those individuals or companies using the infrastructure system or service.

- U Deductibility – The fees or taxes derived from the funding source should be deductible from an individual's Federal and State income tax obligation.

- U Ease of Approval – The fees or taxes should be relatively easy to put into place because the City is already authorized to do so.

- U Broadly Based – The fees or taxes should be paid by a wide range of users, including non-Lincoln residents who may be using the infrastructure system.

- U Application Ease – The collection and enforcement system necessary to collect the fees or taxes should be in place or easy to establish.

- U Stability of Source – The fees or taxes should provide a predictable and steady revenue stream for the City.

- U Progressive Tax/Fee - The fees or taxes should be "progressive" in nature (as contrasted to a "regressive" fee or tax that tends to be a greater imposition on lower income households.)

- U Bondable – The fees or taxes should provide a revenue stream that can be used for paying off bonds.

- U Amount of Revenue – The fees or taxes should provide the potential for generating a relatively significant sum of revenue.

- U Public Policy – The fees or taxes should be politically acceptable to the community and elected officials, and be easy to understand.

The MIFC recommends the following streets and highways funding strategy:

1. Increase Existing City Wheel Tax

The MIFC recommends that the present City Wheel Tax be increased incrementally over a 7 year period. Three increases of $5 each should be approved for implementation in calendar years 2004, 2007, and 2010. This would raise the City Wheel Tax for the typical passenger vehicle from $39 per year to $54 per year. Each $5 per vehicle increase in the Wheel Tax is estimated to result in an additional $1 million in revenue. The increases recommended by the Infrastructure Finance Committee are projected to bring in approximately $29.8 million over the next 12 years.

2. Institute an Occupation Tax on the Retail Sale of Fuel

The MIFC recommends the City approve an occupation tax on the sale of vehicular fuel (i.e, gasoline and diesel) at the retail level. The City is authorized to impose this tax under current statutes following appropriate City Council and Mayoral action. The Infrastructure Finance Committee recommends the tax be set against gross receipts for fuel sold within the City limits. ***The tax should become effective January 1, 2004.*** The projected revenues sought from this source should equate to about five cents per gallon -- this would generate approximately $7.5 million per year, or about $92.1 million over the next 12 years.

3. Work to Meet the Sidewalk Maintenance Needs of the City's Existing Neighborhoods

The MIFC recommends that the City's infrastructure financing strategy include funding for sidewalk maintenance in existing Lincoln neighborhoods. Sidewalks are an important element of the City's overall transportation system. In many older areas of the community, sidewalks have fallen into disrepair. The City funds necessary to support the much needed maintenance of these facilities are simply not available. The present funding levels for sidewalk maintenance falls substantially short of the need. Bonding is an appropriate and timely means for financing sidewalk improvements in these areas of Lincoln and should be part of an overall General Obligation bond package presented to the voters. Six million dollars of G.O. bond proceeds should be allocated to sidewalk maintenance.

4. Seek Voter Approval for a General Obligation Bond

The MIFC recommends the City seek voter approval for the issuance of a series of General Obligation (G.O.) Bonds totaling $106 million*. (Includes $91.5 million street construction; $5 million street rehabilitation; $6 million sidewalks; and $3.5 trails rehabilitation.)* The proceeds from these bonds would be dedicated to street construction/rehabilitation, trail rehabilitation, and sidewalk projects called for in the adopted Comprehensive Plan. These projects support further urban expansion, as well as enhancing the existing street and sidewalk networks. The Infrastructure Finance Committee recommends that voter approval for these bonds be sought as quickly as can be reasonably accommodated under the current election cycle. Furthermore, the timing of the requested voter approval should take into consideration potential bond requests from other local governmental entities, particularly the Lincoln Public Schools. While City staff is prohibited from directly promoting voter approval of such bonds, a separate marketing effort involving private entities should be actively pursued. This effort should underscore the importance of a quality street and highway system to the community's economic development objectives and the long term viability of existing neighborhoods.

5. Utilize Highway Allocation Bonds

The MIFC recommends the prudent use of "Highway Allocation Bonds" to advance the construction of needed street improvements and to effectively manage the City's funding stream for road building. "Highway Allocation Bonds" are currently authorized under State statute for use by Nebraska communities to fund the construction of streets. The bonds themselves do not represent a new source of revenue -- rather they allow communities to pledge future revenue streams by issuing bonds which can then be used to build roads in advance of when they might otherwise be constructed. Highway Allocation Bonds can be paid off from various Federal and State funds which the City receives annually, and from locally generated revenues such as the Wheel Tax or proposed Occupation Fuel Tax. The bonds are not considered to be "revenue bonds" as they bear the full faith and credit of the City. Highway Allocation Bonds offer an effective means for managing the funding stream for road building and for advancing the construction of needed street and highway improvements.

“ Secondary Funding Approach

The Mayor’s Infrastructure Finance Committee recognizes that the imposition of additional fees and taxes is not always popular nor politically attainable. In the event that one or more of the recommendations described above are not approved, the MIFC recommends the following additional actions by the Mayor and City Council:

X Continue to Seek General Obligation (G.O.) Bond Approval – In the event that the General Obligation bond initiative is not approved by the voters on the first attempt, the Infrastructure Finance Committee believes the City should consider a second effort to gain electorate acceptance. The G.O. bond approach offers a significant funding source for streets projects benefitting the broad community. Elected officials should of course determine the merits of a second attempt at vote approval based on the results of the initial election. However, the MIFC believes voter endorsement should continue to be sought even if initial voter approval is not obtained.

X Explore Options for Instituting a Local Sales Tax Increase Dedicated Specifically to Street Construction – The City of Lincoln can only impose such taxes as authorized by the State of Nebraska. The City currently has State authorization for a one and a half cent (1.5 cents) general sales tax on retail goods. Should the street funding sources noted above not gain approval, the Infrastructure Finance Committee recommends that the City work with the State and other Nebraska municipalities to allow for the establishment of a local retail sales tax with the proceeds dedicated to street and highway projects. This will require approval by the Nebraska Unicameral and Governor, and would likely require a vote of the City electorate to allow for its imposition.

“ Continuity in Maintaining and Presenting Information

The Mayor’s Infrastructure Finance Study process has produced a vast inventory of valuable information about the City’s infrastructure and how it is financed. Care has been taken to establish common data formats and terminology so that the information about the complex infrastructure system are made more understandable.

Efforts should be made to retain such formats and terms in future City-produced reports, and to utilize them in monitoring trends in financing and developing city infrastructure. Specifically these should include:

X The Public Works and Utilities staff should continue to utilize a 12 year format in forecasting future capital facility and funding needs.

X The Public Works and Utilities' 12 year forecasts should be updated annually and utilized as part of the City's overall Comprehensive Plan and Capital Improvements Program processes.

X The Public Works and Utilities' 12 year forecasts should continue to utilize the "Uses" and "Funding Sources" formats.

X Preparation and updating of the 12 year forecasts by the Public Works and Utilities Department should reflect the Comprehensive Plan phasing plan and related Plan elements.

Watershed Management

Watershed management involves a range of programs and projects designed to control potential flooding and enhance water quality. The major type of projects undertaken by watershed management include flood corridor preservation, stream stability projects, water quality wetlands, and flood control activities.

This subsection of the report examines a number of the issues surrounding watershed management and a recommended financing approach. The topics generally covered include: (1) unidentified watershed management funding needs for established areas of the community and to meet unfunded Federal mandates; (2) continued dependence of the Watershed Management Program on General Obligation bonds; and, (3) establishment of a Lincoln Stormwater Management Utility.

" Unidentified Watershed Management Funding Needs for Existing Areas of the Community and to Meet Unfunded Federal Mandates

Numerous watershed management capital projects are needed in both the new growth areas and the city's built-up urban environment.

In the newer growth areas of Lincoln, the Public Works Department has either completed or will be completing studies to determine their stormwater facility needs. Improvements in these areas may include flood corridor preservation, flood control facilities, and water quality and stream stabilization projects.

To determine the facility needs for the older established areas of Lincoln, however, the Department must rely on studies that are either over 30 years old or that simply don't exist. Stormwater management needs in established neighborhoods must address flood control along major streams and identify specific projects to ameliorate deficiencies in the current urban drainage system.

In addition to unknown deficiencies in the existing stormwater management system, the Public Works and Utilities Department must also contend with standards imposed under the national Clean Water Act (CWA.) The Department is presently working to address stormwater quality issues associated with Phase II of the National Pollutant Discharge Elimination System (NPDES) of CWA.

Should these efforts prove unsuccessful, the City could be required to undertake much more costly improvements (such as the treatment of stormwater) as part of Phase III of the NPDES permit program. These latter requirements will likely not be known for certain until the 2010 to 2014 time period.

1. Unknown Future Expenses
The MIFC recognizes that there exists the potential for additional watershed management expenses not included in the present 12 year projection of revenue sources and uses. These unknown expenses are related to flood control and additional storm drainage deficiencies not yet identified in the established areas of the City and the potential for Federally mandated improvements under Phase III of the NPDES stormwater program which may be implemented pursuant to requirements of the Federal Clean Water Act.

“ **Continued Dependence of the Watershed Management Program on General Obligation Bonds**

The City's current Watershed Management Program relies heavily upon the periodic passage of General Obligation (G.O.) bonds by Lincoln voters. Virtually all of the stormwater capital improvements built or acquired by the Public Works and Utilities Department are paid for from G.O. bonds.

Since 1994, three G.O. bonds programs have been approved by the Lincoln electorate totaling nearly $20 million. A proposed $10 million bond issue is slated for the May 6, 2003, ballot.

Proceeds from G.O. bonds are projected to equal about two-thirds of the funds available for watershed management projects over the coming years. Failure to pass such G.O. bond funding would seriously hamstring the program's ability to implement needed capital facilities.

It is estimated that without the approval of these G.O. bonds, the program's funding gap would reach $48.5 million over the next 12 years. In addition, it is expected that the growing demands for stormwater facilities will increase the amount of money sought through G.O. bonds and may increase the frequency of the bond elections.

Thus if G.O. bonds in the future were to be approved at the same rate as the last 10 years, there would still remain a funding gap of approximately $12.5 million. (It should be noted that these gaps do not account for costs for flood control projects needed along major streams within the existing urban area. As noted earlier, such needs must still be quantified and integrated into watershed master planning efforts for the entire community.)

2. Continued Periodic Approval of G.O. Bonds

The MIFC recognizes that the projected stormwater "funding gap" assumes the periodic approval of General Obligation (G.O.) bond funding by Lincoln's electorate, and that such bond approval requests are likely to become larger in dollar value and more frequent than in the recent past.

" **Establishment of a Lincoln Stormwater Management Utility**

Creating a more stable and reliable funding source could occur with the establishment of a "stormwater management utility." The establishment of such a utility is one of the lead strategies in the recently adopted City-County Comprehensive Plan for dealing with watershed management issues.

In Nebraska, creating such utilities will require State authorizing legislation. This legislation would identify the authority of such utilities and the local process required for their establishment. At the present time, there is legislation before the Nebraska Unicameral to allow local communities to create stormwater management utilities. Until the legislation is passed by the State, the City of Lincoln is not in a position to pursue the creation of such a funding mechanism for its stormwater management program.

3. Support Stormwater Utility Legislation

The Mayor's Infrastructure Finance Committee supports the concept of a stormwater management utility expressed in the Comprehensive Plan, and supports the City of Lincoln's efforts to work toward adoption of the State legislation through the Nebraska Unicameral.

Parks and Recreation

Providing recreational opportunities through the City's Parks and Recreation Department (P&R) contributes to Lincoln's overall quality of life. Parks, trails, aquatic centers, public golf courses, recreational centers, ballfields, playgrounds – these are just a few of the many activities built and managed through P&R.

This subsection of the report examines a number of the issues surrounding the financing and administration of the City's parks system. The topics included in this subsection are: (1) sharing "community space" between the City of Lincoln and the Lincoln Public Schools; (2) the importance of future impact fees in sustaining neighborhood park development; (3) funding strategies for greenways and open space conservation activities contained in the adopted Comprehensive Plan; and, (4) providing funding for trail rehabilitation.

" Sharing "Community Space" Between the City of Lincoln and the Lincoln Public Schools

The City of Lincoln and the Lincoln Public Schools have a long standing tradition of cooperation in operating programs and in sharing facilities.

As LPS looks to the future and their growing need for additional schools, the opportunity presents itself to once again examine the construction of facilities that can be used in common between the City and School District. The Parks and Recreation Department has expressed an interest in working with LPS to build two new "community centers" and four new "activity centers" over the next 12 years.

These centers would be constructed as part of any new LPS schools built over this period. The projected cost of the two community centers is $6,560,000 and the four activity centers is $685,000 – for a total of $7,245,000. In addition to providing LPS with needed activity space, these centers could house a wide range of community programs ranging from recreational programs sponsored by the City to other services offered by such organizations as Family Services and the YMCA.

1. Shared Community Space with LPS

The MIFC supports the concept of shared community space between the City of Lincoln and the Lincoln Public Schools, and recommends that funding for these facilities be associated with any General Obligation bond proposals for new LPS schools that may be home to such facilities.

“ **Importance of Future Impact Fees in Sustaining Neighborhood Park Development**

The development impact fees slated for implementation on June 1, 2003, are projected to contribute about $3.6 million toward neighborhood parks and trails over the next 12 years. This figure represents a substantial portion of the Department’s total budget and is critical to the funding for neighborhood parks and trails.

2. Support Park and Trail Impact Fees

The MIFC supports the establishment and use of development impact fees for the purpose of constructing neighborhood parks and trails in the new growth areas of Lincoln.

“ **Funding Strategies for Greenways and Open Space Conservation Activities Contained in the Adopted Comprehensive Plan**

The recently adopted Comprehensive Plan lays out a multi-year program of “greenways” and open space areas throughout the City and County. These areas would conserve a network of natural environmental features such as streams, native prairies/grasslands, and unique vistas. This program would include a network of trails and public access corridors that would be interlaced across future urban and rural areas of the City and County.

A key feature of this proposal is the "Salt Valley Heritage Greenway," which would encompass key portions of Salt Creek and Stevens Creek.

3. Greenways and Open Space Conservation

The MIFC reaffirms the greenway and open space concepts expressed in the Comprehensive Plan, and supports efforts to engage the community in a broad-based dialogue to formulate a funding strategy to fulfill the objectives contained in the adopted Comprehensive Plan.

" **Providing Funding for Trail Rehabilitation**

The City of Lincoln and Lancaster County have an extensive and ever-growing trail system. This system is the product of many years of hard work and dedication by trails advocates, the City, and the County.

As the system expands, concern grows over the maintenance of the existing trails. The Parks and Recreation Department estimates about $3.5 million will be needed during the near term to rehabilitate and maintain the trail system.

4. Trail Rehabilitation Funding

The Mayor's Infrastructure Finance Committee recommends that $3.5 million be added to the proposal General Obligation bond issue for streets and sidewalks to support the continued maintenance and rehabilitation to meet current standards for the trail system.